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July 18, 2014

Board of Directors
Richmond Housing Authority
58 S. Fifteenth Street
Richmond, IN 47374

We have reviewed the audit report prepared by Jean Sickels, CPA, Independent Public Accountant, for the period July 1, 2009 to June 30, 2010. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of the Richmond Housing Authority, as of June 30, 2010 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountant's report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

HOUSING AUTHORITY OF THE CITY OF RICHMOND

AUDITED FINANCIAL STATEMENTS

Richmond, Indiana

June 30, 2010

Jean Sickels

Certified Public Accountant

8518 S Kays Chapel Rd
Fredericksburg, IN 47120
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HOUSING AUTHORITY OF THE
CITY OF RICHMOND

Richmond, Indiana
June 30, 2010

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Jean Sickels

Certified Public Accountant

8518 S Kays Chapel Rd
Fredericksburg, Indiana 47120

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Richmond
58 South Fifteenth Street
Richmond, IN 47374

I have audited the accompanying financial statements of the Housing Authority of the City of Richmond ("the Authority") as of and for the year ended June 30, 2010 as listed in the table of contents. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Richmond as of June 30, 2010, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated January 21, 2011 on my consideration of the Housing Authority of the City of Richmond's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages i through vii, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements of the Housing Authority of the City of Richmond. The accompanying Schedule of Expenditures of Federal Awards required by the U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations and the other supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


Certified Public Accountant

Fredericksburg, Indiana
January 21, 2011

HOUSING AUTHORITY OF THE CITY OF RICHMOND
Richmond, Indiana

MANAGEMENT DISCUSSION & ANALYSIS

JUNE 30, 2010

The Richmond Housing Authority's management discussion and analysis of the RHA financial statements including a narrative overview and discussion of the financial activities of the RHA for years and periods ending June 30, 2010 vs. June 30, 2009.

The MD&A is specifically designed to: 1.) assist the reader in focusing on significant financial issues; 2.) provide a broad scope overview of the RHA's financial activities; 3.) identify and explain changes in the RHA's financial position from 2009 to 2010; and 4.) highlight any individual funding source issues or concerns.

Since the MD&A is designed to present basic financial in a narrative, executive summary format, the reader is encouraged to consider the information presented here in conjunction with the RHA's audited financial statements.

Questions concerning any of the information provided in this report or request for additional information should be addressed to Mr. Derek White, Executive Director, Richmond Housing Authority, 58 S 15th St., Richmond, IN 47374

This MD&A is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority is a special-purpose government engaged in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements, comprised of two components: (a) fund financial statements and (b) a series of notes to the financial statements. These provide information about the activities of the Housing Authority as a whole and present a longer-term view of the Housing Authority's finances. This report also contains other supplemental information in addition to the basic financial statements themselves demonstrating how projects funded by HUD have been completed.

Reporting On The Housing Authority As A Whole

One of the most important questions asked about the Authority's finances are, "Is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2010." The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Financial Highlights

- RHA's total assets decreased by \$42,174 from 2009 to 2010. The reduction in total assets was due to the large change in net capital assets which was partially off-set by increases in cash and cash equivalents and other current assets by \$157,036.

HOUSING AUTHORITY OF THE CITY OF RICHMOND
Richmond, Indiana

MANAGEMENT DISCUSSION & ANALYSIS

JUNE 30, 2010

(Continued)

- Total liabilities increased by only \$11,517 which was created by minimal increases in both accounts payable and other liabilities.
- Total net assets decreased by \$53,694 due to a reduction in net investment in capital assets which was partially off-set by an increase in unrestricted assets.
- Agency revenues grew by \$288,296 because of a combination of increases all line items except for the category of other income.
- The overall collective effect on operating expenses from 2009 to 2010 was only a \$334,864 increase due primarily to a sizable increase in the HAP cost of \$287,714.
- Total capital assets were diminished by \$199,213 from 2009 to 2010 with the major contributor being accumulated depreciation, which was greatly impacted by a sizeable increase in construction in progress of \$402,583.
- The Agency realized a net operating loss of only \$46,568 because of a sizeable increase in RHA revenues

Fund Financial Statements

All of the funds of the Housing Authority are reported as proprietary funds. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority, like other enterprises operated by state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Housing Authority's financial statements report its net assets and changes in them. One can think of the Housing Authority's net assets - the difference between assets and liabilities - as one way to measure the Authority's financial health, or financial position. Over time, increases and decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. One will need to consider other non-financial factors, however, such as the changes in the Authority's occupancy levels or its legal obligations to HUD, to assess the overall health of the Housing Authority.

Using This Annual Report

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant funds, the Low Rent Housing Program, Section 8 Housing Choice Voucher Program and Public Housing Capital Fund Program.

HOUSING AUTHORITY OF THE CITY OF RICHMOND
Richmond, Indiana

MANAGEMENT DISCUSSION & ANALYSIS

JUNE 30, 2010

(Continued)

The Housing Authority auditors provided assurance in their independent auditors' report, located immediately preceding the MD&A, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

Reporting The Housing Authority's Most Significant Funds

The Housing Authority's financial statements provide detailed information about the most significant funds. Some funds are required to be established by the Department of Housing and Urban Development (HUD). However, the Housing Authority establishes other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using grants and other money.

The Housing Authority's enterprise funds use the following accounting approach for Proprietary funds. All of the Housing Authority's services are reported in enterprise funds. The focus of proprietary funds is on income measurement, which, together with the maintenance of net assets, is an important financial indicator. The statements evaluated include:

- Statement of net Assets – reports the Authority's current financial resources (short term spendable resources) with capital assets and long-term debt obligations.
- Statement of Revenues, Expenses, and Changes in Fund Net Assets reports the Authority's operating and non-operating revenues, by major source along with operating and non-operating expenses.
- Statement of Capital Assets – reports the Authority's activities to improve and/or expand its assets and reflects current renovation efforts and accumulated depreciation.

The following analysis of the entity wide financial statement is provided to assist the reader of our financial statements.

The RHA maintains its books and records utilizing the accrual basis of accounting. Accrual accounting recognizes revenues and expenses when earned regardless of when cash is received or paid.

The following is a description of the programs and services that the authority provides for the residents of the Richmond Housing Authority:

HOUSING AUTHORITY OF THE CITY OF RICHMOND
Richmond, Indiana

MANAGEMENT DISCUSSION & ANALYSIS

JUNE 30, 2010

(Continued)

Low Income Public Housing

The RHA owns approximately 304 units in four developments in the City of Richmond. Merle Henderson contains 104 elderly/disabled units, Southview Heights has 50 family units, Jerry Geier Apartments has 50 family units and Bobby Smith Apartments has 100 family units. The Authority is responsible for the management, maintenance and utilities for all units and sites. On an annual basis, the Authority submits a request for funding known as the Calculation of Operating Fund Subsidy. The basic concept of the Calculation of Operating Subsidy is that the Authority has an allowable Operating Expense Level, Allowable utilities Expenses Level and Audit Costs that becomes the Authority's Total Allowable Expenses. HUD will fund the difference between the Total Allowable Expenses and the amount of rents that the Authority can charge their tenants based upon HUD eligibility calculation. The funds are utilized to provide safe, affordable, clean housing to the residents of the City of Richmond, Indiana.

Section 8 Housing Choice Voucher Program

This grant program provides Housing Assistance Payments to Landlords who participate in the program. Qualifying tenants to the program have their income analyzed utilizing HUD's guidelines and their rent are assessed accordingly. The balance between the differences of the allowable rent amount set by HUD and the tenant's contribution is equal to the Housing Assistance Payment.

Capital Fund Program

This grant program is awarded by HUD on an annual basis. The purposes of this grant is to maintain the physical improvements of the Authority's sites and the administrative management to ensure those improvements are completed in the most effective and efficient manner. The Authority requisitions funds from HUD as the Authority expends funds.

HOUSING AUTHORITY OF THE CITY OF RICHMOND
Richmond, Indiana

MANAGEMENT DISCUSSION & ANALYSIS

JUNE 30, 2010

(Continued)

Authority-Wide Condensed Financial Statements

Statement of Net Assets

Current & Other Assets	2010	2009	Change
Cash & Cash Equivalents	\$1,827,716	\$1,776,443	\$51,273
Other Current Assets	194,154	88,391	105,763
Capital Assets (Net)	<u>4,974,413</u>	<u>5,173,626</u>	<u>(199,213)</u>
Total Assets	<u>\$6,996,283</u>	<u>\$7,038,460</u>	<u>\$(42,177)</u>
Liabilities			
Accounts Payable	\$89,381	\$79,935	\$9,446
Other Liabilities	<u>172,922</u>	<u>170,851</u>	<u>2,071</u>
Total Liabilities	<u>\$262,303</u>	<u>\$250,786</u>	<u>\$11,517</u>
Net Assets			
Net Investment in Capital Assets	\$4,974,413	\$5,173,626	\$(199,213)
Unrestricted & Restricted	<u>1,759,567</u>	<u>1,614,048</u>	<u>145,519</u>
Total Net Assets	<u>\$6,733,980</u>	<u>\$6,787,674</u>	<u>\$(53,694)</u>

Major Factors affecting the statement of Net Assets

Total Assets for FYE 2010 are \$6,996,283 and at FYE 2009 the amount was \$7,038,460. This represents a decrease of \$42,177 for which the major reason was the large decrease in net capital assets for 2010 vs. 2009 of \$199,213 which was partially off-set by an increase in both cash and cash equivalents and other current assets of \$157,036.

Total liabilities increased by \$11,517 with the major impact due to the combined increase of Accounts Payable and other Liability for 2010.

Net Assets decreased by \$53,694 from 2009 to 2010 with the major reason being a reduction in net investment in Capital Assets of \$199,213 which was partially off-set by an increase in unrestricted net assets of \$145,519.

HOUSING AUTHORITY OF THE CITY OF RICHMOND
Richmond, Indiana

MANAGEMENT DISCUSSION & ANALYSIS

JUNE 30, 2010

(Continued)

Statement of Agency Wide Revenues, Expenses, and Net Assets

Statement of Revenues

Source	2010	2009	Change
Public Housing Rental	\$432,170	\$431,647	\$523
HUD Operating Subsidy	2,677,767	2,326,071	351,696
HUD Capital Fund	418,685	154,312	264,373
Other Income	135,019	462,087	(327,068)
Gain/Loss on sale of Capital Assets	(1,228)	0	(1,228)
Total Revenues	\$3,662,413	\$3,374,117	\$288,296

The combined effect of revenue sources for 2010 created an increase of \$288,296 vs. 2009. There were increases of \$616,592 in all categories which more than off-set the reduction in other income by \$327,068.

Statement of Expenses

Activity	2010	2009	Change
Administrative	\$662,966	\$626,463	\$36,503
Tenant Services	15,743	20,351	(4,608)
Utilities	244,317	258,861	(14,544)
Maintenance	580,940	606,361	(25,421)
Housing Assistance Payment	1,174,028	1,121,235	52,793
Depreciation	643,571	619,302	24,269
General Expense	394,540	144,678	249,862
Extraordinary Maintenance	0	3135	(3,135)
Total Expenses	\$3,716,105	\$3,400,386	\$315,719

Total operating expense rose by \$315,719 for 2010 vs. 2009. The major expense increases were HAP payments by \$52,793, administrative cost by \$36,503, general expense by \$249,862 and depreciation by \$24,269. This deficit was minimally off-set by decreases in Tenant Services, utilities and maintenance cost for a total of \$47,708

The combination of an increase in Total Revenue by \$288,296 and an increase in Total Operating expense of \$334,864 resulted in a net operating loss of \$46,568.

HOUSING AUTHORITY OF THE CITY OF RICHMOND
Richmond, Indiana

MANAGEMENT DISCUSSION & ANALYSIS

JUNE 30, 2010

(Continued)

Statement of Capital Assets

Source	2010	2009	Change
Land	\$960,488	\$960,488	\$0
Buildings	12,391,542	12,393,428	(1,886)
Equipment And Furniture	784,785	762,087	22,698
Leasehold Improvements	755,182	744,906	10,276
Construction in progress	1,026,421	623,838	402,583
Accumulated Depreciation	(10,944,005)	(10,311,121)	(632,884)
Total Assets	\$4,974,413	\$5,173,626	\$(199,213)

Net property and equipment value has decreased by \$199,213 from 2009 to 2010. The major negative impacts to capital asset were accumulated depreciation which increased by \$632,884. This negative factor was reduced by increases in the value of equipment and furniture, leasehold improvements and construction in progress cumulative by \$435,557.

Economic Factors

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by the Federal budget than by local economic conditions. The capital budgets for the 2010 fiscal year have already been submitted to HUD for approval and no major changes are expected.

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development.
- Local labor supply and demand, which can affect salary and wage rates.
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental.
- Income Inflationary pressure on utility rates, supplies and other costs.

FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF RICHMOND
Richmond, Indiana

STATEMENT OF NET ASSETS

JUNE 30, 2010

ASSETS

Current Assets

Cash and cash equivalents	\$ 583,537
Restricted cash and cash equivalents	1,244,179
Accounts receivable, net	125,818
Prepaid expenses	49,452
Inventory, net	18,884
Current Assets	<u><u>2,021,870</u></u>

Capital Assets

Land and other nondepreciable assets	1,986,909
Depreciable capital assets, net	2,987,504
Total Capital Assets	<u><u>4,974,413</u></u>

Total Assets

6,996,283

LIABILITIES

Current liabilities

Accounts payable	89,381
Accrued liabilities	27,983
Payable from restricted cash and cash equivalents:	
Tenants security deposits	44,854
Deferred revenue	10,030
Total Current Liabilities	<u><u>172,248</u></u>

Noncurrent liabilities

90,055

Total Liabilities

262,303

NET ASSETS

Invested in capital assets	4,974,413
Restricted	1,131,400
Unrestricted	628,167
Total Net Assets	<u><u>\$ 6,733,980</u></u>

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF RICHMOND
Richmond, Indiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

OPERATING REVENUES

Rental income	\$ 432,170
Other income	40,443
	<hr/>
TOTAL OPERATING REVENUE	472,613

OPERATING EXPENSES

Administrative	643,821
Tenant services	15,743
Utilities	244,317
Ordinary maintenance and operation	580,940
Protective services	39,253
General expense	374,432
Housing Assistance Payments	1,174,028
Depreciation expense	643,571
	<hr/>
TOTAL OPERATING EXPENSES	3,716,105

OPERATING INCOME (LOSS) **(3,243,492)**

NONOPERATING REVENUES

Federal operating grants	2,677,767
Gain or loss on sale of capital assets	(1,226)
Interest income	94,574
	<hr/>
NET NONOPERATING REVENUES	2,771,115

CAPITAL CONTRIBUTIONS **418,685**

CHANGE IN NET ASSETS **(53,692)**

TOTAL NET ASSETS - BEGINNING OF YEAR **6,787,672**

TOTAL NET ASSETS - END OF YEAR **\$ 6,733,980**

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF RICHMOND
Richmond, Indiana

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants and other deposits	\$	375,622
Payments to vendors		(1,188,442)
Payments to landlords		(1,174,028)
Payments to employees		(707,321)
Net Cash Used by Operating Activities		<u>(2,694,169)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Grants received		<u>2,677,767</u>
Net Cash From Noncapital Financing Activities		<u>2,677,767</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital grants received		418,685
Acquisition and construction of capital assets		(445,584)
Net Cash Flows Provided (Used) by Capital and Related Financing Activities		<u>(26,899)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received		94,574
Net Cash From Investing Activities		<u>94,574</u>

Net Increase in Cash and Cash Equivalents 51,273

Cash - Beginning of year 1,776,443
Cash - End of year \$ 1,827,716

Reconciliation of Deposits:

Cash and cash equivalents	\$	583,537
Restricted cash and cash equivalents		<u>1,244,179</u>
Total Deposits	\$	<u><u>1,827,716</u></u>

Continued

HOUSING AUTHORITY OF THE CITY OF RICHMOND
Richmond, Indiana

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

RECONCILIATION OF OPERATING (LOSS) TO
NET CASH USED BY OPERATING ACTIVITIES

Operating income (loss)	\$	(3,243,492)
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Depreciation		643,571
Changes in assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable		(96,991)
Prepaid expenses		(887)
Inventory		(7,885)
Increase (Decrease) in:		
Accounts payable		3,799
Accrued liabilities		3,067
Deferred revenue		4,649
		<hr/>
Net Cash Used by Operating Activities	\$	<u>(2,694,169)</u>

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF RICHMOND
Richmond, Indiana

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE A - Summary of Significant Accounting Policies and Organization:

The financial statements of the HOUSING AUTHORITY OF THE CITY OF RICHMOND ("the Authority") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The entity is a public corporation, legally separate, fiscally independent, and governed by the Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the financial position and results of operations of the Housing Authority of the City of Richmond, a primary government. There are no component units to be included herewith, but this report does include all programs which are controlled by the entity's governing body.

The financial statements of the Housing Authority of the City of Richmond include the following:

<u>Project</u>	<u>Units</u>
Authority owned	304
Housing Assistance Payments Program:	
Housing Choice Vouchers	<u>273</u>
Total	<u>577</u>

Basis of Presentation - The accounting policies of the Authority conform to generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB) as applicable to special-purpose governments engaged in business-type activities. Pursuant to the election option made available by GASB Statement No. 20, pronouncements of the Financial Accounting Standards Board (FASB) issued before November 30, 1989, in accounting and reporting for its proprietary operations have been applied, but has elected not to apply FASB pronouncements issued after November 30, 1989.

Net Assets - Generally accepted accounting principles for state and local governments requires that resources be classified for accounting and reporting purposes into the following three net asset categories:

Invested in Capital Assets, Net of Related Debt - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. The Authority does not have any debt.

Restricted - Net assets whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time. Such assets include assets restricted for capital acquisitions and debt service. The Authority has restricted funds totaling \$21,878 that represents excess HAP grant funding provided by the Department of Housing & Urban Development for the sole purpose of providing assistance payments to eligible individuals through the Housing Choice Voucher Program. The requirements imposed by HUD represent a legally enforceable requirement upon this program.

Unrestricted - Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Authority Board or may otherwise be limited by contractual agreements with outside parties.

HOUSING AUTHORITY OF THE CITY OF RICHMOND
Richmond, Indiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

Accounting Policies - The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Use of Enterprise Accounting - The Authority presents its financial statements using enterprise accounting, as allowed by governments. Although the Authority accounts for its programs using accounts for its internal reporting, the Authority is considered to be a unified enterprise fund for reporting purposes. Accordingly, the Authority uses the economic resources measurement focus and the related accrual basis of accounting. Under the economic resources measurement focus, the Authority accounts for all assets and liabilities. Under the accrual basis of accounting expenses are recorded when the goods and services are received, irrespective of when paid for, and revenues are recorded as earned, irrespective of when cash is received.

Budgets - Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. The capital fund budgets are adopted on a "project length" basis.

Budget compared to actual presentation is not presented because the Authority does not annually adopt a legally authorized budget. The Authority's budget is adopted by the Authority's board and approved by HUD. This budget does not represent a legally binding appropriated budget that has been signed into law or a non-appropriated budget authorized by constitution. The Authority's budget represents budgetary execution and management by its board and HUD; therefore, budgetary data and presentation is not required.

Cash and Cash Equivalents - Deposits consist of checking accounts and Certificates of Deposit and are stated at fair value. Deposits are fully collateralized or vested in securities of the United States Government and are identified specifically in the name of the Authority.

For the purposes of the Statement of Cash Flows, the Authority considers all highly liquid cash deposits and cash equivalents with a maturity of three months or less when purchased and non negotiable Certificates of Deposit to be cash equivalents. There were no noncash investing, capital, and financing activities during the year.

Tenant Receivables - Receivables for rentals and service charges are reported at net of an allowance for doubtful accounts. The Authority board takes monthly action as required to write off specific uncollectible accounts receivable balances.

Prepaid - Prepaid represent payments made to vendors for services that will benefit beyond June 30, 2010.

Inventories - Inventories are valued at cost, which approximates market value. The Authority uses the average cost method.

Capital assets - Capital assets purchased are recorded on the Statement of Net Assets at the time of purchase. Such assets are recorded at cost. The capitalization policy of the Authority requires assets to be capitalized when their cost is \$1,000 or more. Donated assets are recorded at fair market value at the date of donation. Because developments and major capital repairs or improvements are financed through cash advances from HUD, there are no capitalized interest costs in current programs.

HOUSING AUTHORITY OF THE CITY OF RICHMOND
Richmond, Indiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

(Continued)

NOTE A - Summary of Significant Accounting Policies: (Continued)

Depreciation of capital assets is computed by the straight-line method based upon the estimated useful lives of the assets as follows:

<u>Class</u>	<u>Life</u>
Buildings and Improvements	10-40 years
Furniture, Equipment and Machinery	5 years

Compensated Absences - Compensated absences are those absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that is attributable to services already rendered and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees are accounted for in the period in which such services are rendered or in which such events take place.

Operating Revenues and Expenses - Operating revenues and expenses generally result from providing and producing goods and/or services in connection with providing low income housing programs. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non operating revenues and expenses.

Restricted Assets - When both restricted and unrestricted resources are available for use, it is the Authority's policy to use unrestricted resources first, and then restricted resources as they are needed.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Leasing Activities (as Lessor) - The Authority is the lessor of dwelling units primarily to low-income residents. The rents under the leases are determined generally by the resident's income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.

NOTE B - Deposits, Cash and Cash Equivalents:

1. HUD Deposit Restrictions

HUD requires Authorities to invest excess HUD program funds in obligations of the United States, certificates of deposit or any other federally insured instruments.

HUD also requires that deposits of HUD program funds be fully insured or collateralized at all times. Acceptable security includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

HOUSING AUTHORITY OF THE CITY OF RICHMOND
Richmond, Indiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

(Continued)

NOTE B - Deposits, Cash and Cash Equivalents: (Continued)

2. Risk Disclosures

A. **Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase.

At year end, all the Authority's deposits and investments were either available on demand or have maturities of less than two years.

B. **Credit Risk:** This is a risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities.

C. **Concentrations of Risk:** The Authority has no policies limiting concentrations of risk.

The carrying amounts of the Authority's cash deposits were \$1,827,716 at June 30, 2010. Bank balances before reconciling items were \$1,863,752 at that date, the total amount of which was collateralized or insured with securities held by an unaffiliated banking institution in the Authority's name except as noted above. Deposits consist of the following:

Deposits in Bank	\$ 136,509
Certificates of Deposit	<u>1,691,207</u>
Total	<u>\$ 1,827,716</u>

NOTE C - Accounts Receivable:

Accounts receivable at June 30, 2010, consist of the following:

Tenant accounts receivable, net of allowance for doubtful accounts of \$22,566	\$ 7,521
Fraud recovery, net of allowance of \$37,789	12,597
Miscellaneous accounts receivable	344
HUD	104,124
Accrued Interest Receivable	<u>1,232</u>
Total	<u>\$ 125,818</u>

NOTE D - Prepaid Expenses:

Prepaid expenses at June 30, 2010, consist of the following:

Prepaid insurance	<u>\$ 49,452</u>
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HOUSING AUTHORITY OF THE CITY OF RICHMOND
Richmond, Indiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

(Continued)

NOTE E - Inventory:

Inventory at June 30, 2010, consist of the following:

Materials and supplies, \$ 18,884

Materials inventories are recorded at cost. The FIFO inventory flow assumption is used to determine expenditures. Expenditures are recorded when inventory is consumed.

NOTE F - Capital Assets:

A summary in changes in capital assets is as follows:

	Beginning Balance 6/30/09	Increases	Decreases	Ending Balance 6/30/10
Capital assets, not being depreciated:				
Land	\$ 960,488	\$ 0	\$ 0	\$ 960,488
Construction in Progress	<u>623,838</u>	<u>402,583</u>	<u>0</u>	<u>1,026,421</u>
Total Capital Assets, not being depreciated	<u>1,584,326</u>	<u>402,583</u>	<u>0</u>	<u>1,986,909</u>
Capital Assets, being depreciated:				
Buildings & Improvements	13,138,334	8,390	0	13,146,724
Furniture, equipment & Machinery	<u>762,087</u>	<u>22,698</u>	<u>0</u>	<u>784,785</u>
Total Capital Assets, being depreciated	<u>13,900,421</u>	<u>31,088</u>	<u>0</u>	<u>13,931,509</u>
Capital Assets, being depreciated:				
Buildings and Improvements	(9,684,848)	(601,144)	0	(10,285,992)
Furniture, equipment & Machinery	<u>(626,273)</u>	<u>(31,740)</u>	<u>0</u>	<u>(658,013)</u>
Less Accumulated Depreciation:	<u>(10,311,121)</u>	<u>(632,884)</u>	<u>0</u>	<u>(10,944,005)</u>
Total Capital Assets, being depreciated, net	<u>3,589,300</u>	<u>(601,796)</u>	<u>0</u>	<u>2,987,504</u>
Capital Assets, Net	<u>\$ 5,173,626</u>	<u>\$ (199,213)</u>	<u>\$ 0</u>	<u>\$ 4,974,413</u>

Major construction renovation through the Capital Fund Grant Program costs of \$1,550,084 that has yet to be expended under the current programs. HUD has approved funding for the above amount.

Depreciation expense of \$643,571 was incurred during the year.

HOUSING AUTHORITY OF THE CITY OF RICHMOND
Richmond, Indiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

(Continued)

NOTE G - Accounts Payable:

Accounts Payable at June 30, 2010, consists of the following:

Accounts Payables	<u>\$ 89,381</u>
-------------------	------------------

NOTE H - Accrued Liabilities:

Accrued liabilities at June 30, 2010, consist of the following:

Accrued compensated absences	\$ 16,665
Payroll Withholdings	<u>11,318</u>

Total	<u>\$ 27,983</u>
-------	------------------

NOTE I - Deferred Revenue:

Deferred revenue at June 30, 2010, consists of the following:

Deferred revenue	<u>\$ 10,030</u>
------------------	------------------

NOTE J - Noncurrent liabilities:

Noncurrent liabilities at June 30, 2010, consist of the following:

	<u>06/30/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/30/10</u>
Home Buyer Reserves	<u>\$ 91,353</u>	<u>\$ 0</u>	<u>\$ 1,298</u>	<u>\$ 90,055</u>

NOTE K - Commitments and Contingencies:

Litigation - At June 30, 2010, the Authority was not involved in any threatened litigation.

Examinations - The Authority is subject to possible examinations made by federal and state authorities who determine compliance with terms, conditions, laws, and regulations governing other grants given to the Authority in the current and prior years. HUD has performed a management review during the year ended June 30, 2010.

Grant Disallowances - Amounts received or receivable from HUD are subject to audit and adjustment by HUD. Any disallowed claims, including amounts already collected, would constitute a liability of the Authority. The amounts, if any, of expenses which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

Construction Projects - There are certain major construction projects in progress at June 30, 2010. These include modernizing rental units at the project sites. These projects are being funded by HUD. Funds are requested periodically as the cost is incurred. These costs will be paid by grants committed to the Authority by HUD. The Authority had outstanding construction commitments of \$654,735 pertaining to its Capital Fund Program.

HOUSING AUTHORITY OF THE CITY OF RICHMOND
Richmond, Indiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

(Continued)

NOTE L - Risk Management:

The Authority is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance coverage for these risks to the extent deemed prudent by Authority management, which includes public officials, workman's compensation, property, and auto insurance. Settled claims have not exceeded this commercial coverage in any of the past 3 years.

The Authority participates in public entity risk pools (Housing Authorities Risk Retention Group) for general liability, and Directors' and Officers' liability and workman's compensation. Settled claims resulting from these risks have not exceeded risk pool coverage in any of the past three fiscal years. Rights and responsibilities of the Authority and the pool are contained within the pool agreement and the scope of coverage documents.

NOTE M - Federal Operating Grants:

HUD contributed operating subsidies approved in the operating budgets under the Annual Contributions Contracts. These subsidy contribution for the operating year ended June 30, 2010 were as follows:

Low Income Public Housing	\$ 1,072,238
Capital Fund Program	6,747
Housing Choice Vouchers	1,281,700
Homeless Prevention & Rapid Re-Housing	<u>317,082</u>
Total	<u>\$ 2,677,767</u>

NOTE N - Capital Contributions:

The Authority receives capital grants from HUD for capital fund program improvements. Capital contributions for the fiscal year ended June 30, 2010 were \$418,685.

NOTE O - Economic Dependency:

The Authority receives approximately 79% of its revenues from HUD. If the amount of revenues received from HUD falls below critical levels, the Authority's operations could be adversely affected.

NOTE P - Conduit Type Debt:

Debt related to the original acquisition and early modernization of the public housing developments is funded, guaranteed and serviced by HUD. There is no debt or pledge of faith and credit on the part of the Authority. Accordingly, this debt has not been recorded in the financial statements of the Authority.

HUD no longer provides the Authority with debt service information since the Authority has no obligation for the debt.

HOUSING AUTHORITY OF THE CITY OF RICHMOND
Richmond, Indiana

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

(Continued)

NOTE Q - Pension Plan:

The Housing Authority provides pension benefits for all of its full-time employees through a defined contribution plan (IRA-SEP plan). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate six months after the date of employment. The plan requires the Housing Authority to contribute 14.5% of covered wages. The Housing Authority's contributions for each employee are vested immediately. In fiscal year 2010, the Housing Authority contributed \$86,409. In fiscal year 2009, the Housing Authority contributed \$82,411. In fiscal year 2008, the Housing Authority contributed \$80,253.

Basis of Accounting - The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Valuation of Investments - Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value.

SUPPLEMENTAL FINANCIAL INFORMATION

HOUSING AUTHORITY OF THE CITY OF RICHMOND
Richmond, Indiana

COMBINING SCHEDULE OF PROGRAM NET ASSETS

JUNE 30, 2010

	Annual Contributions Contracts		
	C-853	C-853	IN009
	Low Income Public Housing	Capital Fund Programs	Section 8 Vouchers
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 547,064	\$ 0	\$ 0
Restricted cash and cash equivalents	1,154,124	0	0
Accounts receivable, net	41,265	75,877	8,305
Prepaid expenses	47,574	0	1,230
Interfund	309,729	0	0
Inventory, net	18,884	0	0
Total Current Assets	2,118,640	75,877	9,535
Capital Assets			
Land and other nondepreciable assets	1,543,947	0	0
Depreciable capital assets, net	2,823,842	0	496
Total Capital Assets	4,367,789	0	496
Total Assets	6,486,429	75,877	10,031
LIABILITIES			
Current liabilities			
Accounts payable	22,859	65,706	816
Accrued liabilities	24,724	57	2,724
Interfund	0	10,114	64,306
Payable from restricted cash and cash equivalents:			
Tenants security deposits	44,854	0	0
Deferred revenue	10,030	0	0
Total Current Liabilities	102,467	75,877	67,846
Noncurrent liabilities	0	0	0
Total Liabilities	102,467	75,877	67,846
NET ASSETS			
Invested in capital assets	4,367,789	0	496
Restricted	1,109,522	0	21,878
Unrestricted	906,651	0	(80,189)
Total Net Assets	\$ 6,383,962	\$ 0	\$ (57,815)

Homeless Prevention Program	Business Activities	Interfund Elimination	Total
\$ 28,442	\$ 8,031	\$ 0	\$ 583,537
0	90,055	0	1,244,179
283	88	0	125,818
0	648	0	49,452
0	0	(309,729)	0
0	0	0	18,884
<u>28,725</u>	<u>98,822</u>	<u>(309,729)</u>	<u>2,021,870</u>
0	442,962		1,986,909
3,244	159,922		2,987,504
<u>3,244</u>	<u>602,884</u>	<u>0</u>	<u>4,974,413</u>
<u>31,969</u>	<u>701,706</u>	<u>(309,729)</u>	<u>6,996,283</u>
0	0	0	89,381
478	0	0	27,983
0	235,309	(309,729)	0
0	0	0	44,854
0	0	0	10,030
<u>478</u>	<u>235,309</u>	<u>(309,729)</u>	<u>172,248</u>
0	90,055	0	90,055
<u>478</u>	<u>325,364</u>	<u>(309,729)</u>	<u>262,303</u>
3,244	602,884	0	4,974,413
0	0	0	1,131,400
28,247	(226,542)	0	628,167
<u>\$ 31,491</u>	<u>\$ 376,342</u>	<u>\$ 0</u>	<u>\$ 6,733,980</u>

HOUSING AUTHORITY OF THE CITY OF RICHMOND
Richmond, Indiana

COMBINING SCHEDULE OF PROGRAM REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

	Annual Contributions Contracts		
	C-853	C-853	IN009
	Low Income Public Housing	Capital Fund Programs	Section 8 Vouchers
OPERATING REVENUES			
Rental income	\$ 420,122	\$ 0	\$ 0
Other income	11,356	0	29,087
TOTAL OPERATING REVENUE	431,478	0	29,087
OPERATING EXPENSES			
Administrative	472,523	6,747	113,025
Tenant services	15,743	0	0
Utilities	243,780	0	537
Ordinary maintenance and operation	579,089	0	1,457
Protective services	39,253	0	0
General expense	111,109	0	27,755
Housing Assistance Payments	0	0	1,174,028
Depreciation expense	635,217	0	206
TOTAL OPERATING EXPENSES	2,096,714	6,747	1,317,008
OPERATING INCOME (LOSS)	(1,665,236)	(6,747)	(1,287,921)
NONOPERATING REVENUES			
Federal operating grants	892,546	186,439	1,281,700
Gain or loss on sale of capital assets	(1,226)	0	0
Interest income	92,823	0	0
NET NONOPERATING REVENUES	984,143	186,439	1,281,700
CAPITAL CONTRIBUTIONS	0	418,685	0
CHANGE IN NET ASSETS	(681,093)	598,377	(6,221)
TOTAL NET ASSETS - BEGINNING			
OF YEAR, as originally stated	6,466,678	0	(51,594)
Equity transfers	598,377	(598,377)	0
TOTAL NET ASSETS - BEGINNING OF YEAR as restated	7,065,055	(598,377)	(51,594)
TOTAL NET ASSETS - END OF YEAR	\$ 6,383,962	\$ 0	\$ (57,815)

Homeless Prevention Program	Business Activities	Total
\$ 0	\$ 12,048	\$ 432,170
0	0	40,443
<u>0</u>	<u>12,048</u>	<u>472,613</u>
50,244	1,282	643,821
0	0	15,743
0	0	244,317
0	394	580,940
0	0	39,253
234,921	647	374,432
0	0	1,174,028
483	7,665	643,571
<u>285,648</u>	<u>9,988</u>	<u>3,716,105</u>
<u>(285,648)</u>	<u>2,060</u>	<u>(3,243,492)</u>
317,082	0	2,677,767
0	0	(1,226)
57	1,694	94,574
<u>317,139</u>	<u>1,694</u>	<u>2,771,115</u>
0	0	418,685
<u>31,491</u>	<u>3,754</u>	<u>(53,692)</u>
0	372,588	6,787,672
0	0	0
<u>0</u>	<u>372,588</u>	<u>6,787,672</u>
<u>\$ 31,491</u>	<u>\$ 376,342</u>	<u>\$ 6,733,980</u>

HOUSING AUTHORITY OF THE CITY OF RICHMOND
Richmond, Indiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FR THE YEAR ENDED JUNE 30, 2010

<u>ANNUAL CONTRIBUTION CONTRACT</u>	<u>PROGRAM AND ASSISTANCE TYPE</u>	<u>CFDA NUMBER</u>	<u>AWARD</u>	<u>EXPENDITURES</u>
<u>U. S. DEPARTMENT OF HUD</u>				
C-853	Home	14.257	\$ 317,082	\$ 317,082
C-853	Public & Indiana Housing	14.850a	892,546	892,546
IN009VO	Housing Choice Voucher Program	14.871	1,281,700	1,281,700
C-853	Capital Fund Program	14.872	1,538,709	264,900
C-853	American Reinvestment & Recovery Act	14.885	<u>649,318</u>	<u>340,224</u>
TOTAL U. S. DEPARTMENT OF HUD			<u>\$ 4,679,355</u>	<u>\$ 3,096,452</u>

Notes to Schedule of Expenditures of Federal Awards:

Note 1 The Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting as described in Note A.

OTHER REPORTS

Jean Sickels

Certified Public Accountant

8518 S Kays Chapel Rd
Fredericksburg, Indiana 47120

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Housing Authority of the City of Richmond
58 South Fifteenth Street
Richmond, IN 47374

I have audited the financial statements of the Housing Authority of the City of Richmond, as of and for the year ended June 30, 2010, and have issued my report thereon dated January 21, 2011, which included a disclaimer of opinion on Management's Discussion and Analysis. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Authority of the City of Richmond's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of Richmond's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Richmond's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that I consider to be significant deficiencies in internal control over financial reporting. The finding reference number is 2010-01. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

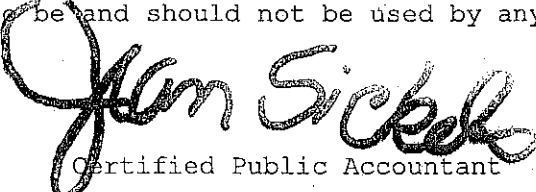
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Richmond's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2010-01.

We noted certain matters that we reported to management of Housing Authority of the City of Richmond in a separate letter dated January 21, 2011.

The Housing Authority of the City of Richmond's response to the finding identified in my audit is described in the accompanying Schedule of Findings and Questioned Costs. I did not audit the Housing Authority of the City of Richmond's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the Authority's management, the U.S. Department of HUD, and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountant

Fredericksburg, Indiana
January 21, 2011

Jean Sickels

Certified Public Accountant

8518 S Kays Chapel Rd

Fredericksburg, Indiana 47120

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Richmond
58 South Fifteenth Street
Richmond, IN 47374

Compliance

I have audited the compliance of the Housing Authority of the City of Richmond with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Housing Authority of the City of Richmond's major federal programs for the year ended June 30, 2010. The Housing Authority of the City of Richmond's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Housing Authority of the City of Richmond's management. My responsibility is to express an opinion on the Housing Authority of the City of Richmond's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the City of Richmond's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Housing Authority of the City of Richmond's compliance with those requirements.

In my opinion, the Housing Authority of the City of Richmond complied, in all material respects, with the compliance requirements referred to above could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the Housing Authority of the City of Richmond is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the Housing Authority of the City of Richmond's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Housing Authority of the City of Richmond's internal control over compliance.

Internal Control Over Compliance (Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Authority's management, the U.S. Department of HUD, and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountant

Fredericksburg, Indiana
January 21, 2010

HOUSING AUTHORITY OF THE CITY OF RICHMOND
Richmond, Indiana

June 30, 2010

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I - SUMMARY OF AUDITORS RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unqualified

Internal control over financial reporting:
~ Material weakness(es) identified? yes X no
~ Significant deficiencies identified that are
not considered to be material weaknesses? X yes none reported

Noncompliance material to financial statements
noted? X yes no

FEDERAL AWARDS

Internal control over major programs:
~ Material weakness(es) identified? yes X no
~ Significant deficiencies identified that are
not considered to be material weakness(es)? yes X none reported

Type of auditors' report issued on compliance
for major programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with section 510(a)
of Circular A-133? yes X no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.237	Home - Community Development Block Grant
14.871	Housing Choice Voucher Program
14.872	Capital Funds
14.885	Capital Fund Stimulus Program

Dollar threshold used to distinguish
between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes X no

HOUSING AUTHORITY OF THE CITY OF RICHMOND
Richmond, Indiana

June 30, 2010

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

PRIOR AUDIT FINDINGS

2009-01

HOUSING CHOICE VOUCHER-NEGATIVE EQUITY

PRIOR
CONDITION:

HUD provides the Housing Authority with subsidy for administrative fees, and Housing Assistance Payments. At the end of the fiscal year the administrative equity of the Housing Authority was a deficit balance of \$52,296. Under HUD requirement each Housing authority is to administer the program within the budget (subsidy) provided. When the administrative expenses exceed available funds, restricted HAP equity is used. This use of restricted funds is not allowed.

CURRENT
CONDITION:

The Housing Choice Voucher program still has negative equity.

This finding continues as 2010-01.

2009-02

HOUSING CHOICE VOUCHER-PARTICIPANTS ELIGIBILITY

PRIOR
CONDITION:

HUD regulations require that all participant files contain adequate documentation to support a participant's eligibility and the accurate calculation of Housing Assistance payments (HAP). During the test of participant eligibility (27 files examined) eleven instances of incomplete documentation or incorrect calculations of housing assistance were noted.

CURRENT
CONDITION:

This finding is cleared.

See Management Letter.

CURRENT AUDIT FINDINGS

SECTION II - FINANCIAL STATEMENT FINDINGS

2010-01

CURRENT
CONDITION:

HOUSING CHOICE VOUCHER-NEGATIVE EQUITY:

HUD provides the Housing Authority with subsidy for administrative fees, and Housing Assistance Payments. At the end of the fiscal year the administrative equity of the Housing Authority was a deficit balance.

CFDA#:

14.871

HOUSING AUTHORITY OF THE CITY OF RICHMOND
Richmond, Indiana

June 30, 2010

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

CURRENT AUDIT FINDINGS

(Continued)

2010-01

HOUSING CHOICE VOUCHER-NEGATIVE EQUITY: (Continued)

CRITERIA: Under HUD requirement each Housing authority is to administer the program within the budget (subsidy) provided. When the administrative expenses exceed available funds, restricted HAP equity is used. This use of restricted funds is not allowed.

CAUSE/EFFECT: The Housing Authority is not monitoring expenditures and is using restricted funds for unallowed purposes.

RECOMMENDATION: The Housing Authority must monitor funds available and operate within the budgetary constraints.

REPLY: We are working with the HUD office to allocate funds to cover the shortfall. We are now budgeting so that we will not be in an overspent position in the future.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings.

HOUSING AUTHORITY OF THE CITY OF RICHMOND
Richmond, Indiana

June 30, 2010

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

<u>FINDING</u>	<u>CONDITION</u>	<u>STATUS</u>
2009-01	Housing Choice Voucher-Negative Equity	Continues
2009-02	Housing Choice Voucher-Participants Eligibility	Cleared

Jean Sickels

Certified Public Accountant

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Facsimile No. (812) 472-3649

Mobile No. (404) 307-5903

January 21, 2011

Board of Commissioners
Housing Authority of the City of Richmond
58 South Fifteenth Street
Richmond, IN 47374

In planning and performing my audit of the financial statements of the Housing Authority of the City of Richmond as of and for the year ended June 30, 2010, I considered the Authority's internal control in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during my audit, I became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect my report dated January 21, 2011 on the financial statements of the Authority.

I will review the status of the comments during my next audit engagement. I have already discussed the comments and suggestions with Authority personnel, and will be pleased to discuss the comments in further detail at your convenience, to perform any additional study of the matter, or to assist you in implementing the recommendation. My comments are summarized as follows:

1. **CONDITION: COLLATERALIZATION**

The Authority does not have proof of collateralization.

RECOMMENDATION:

The Authority should have an internal control procedure in place to monitor collateralization on a monthly or quarterly basis.

2. **CONDITION: SECTION 8 CLIENT FILES**

In the review of 25 client files the following were noted:

- 1) One lead based paint notice is missing
- 2) One 214 immigration status form is missing

RECOMMENDATION:

The Authority should review all their client files and ensure that all required documentation is in place.

3. **CONDITION: SEMAP CERTIFICATION**

The Authority was not able to provide worksheets that support the indicators submitted.

RECOMMENDATION:

The Authority should seek training and follow the regulations in 24 CFR. Documentation for each indicator should be filed and available for audit.

4. **CONDITION: TENANT ACCOUNTS RECEIVABLE BALANCES (TAR)**

The TAR Balances do not agree to the general ledger.

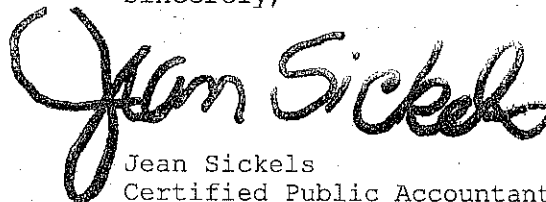
RECOMMENDATION:

The Authority should reconcile the balances. Then Internal Control Procedures should be put into place to ensure that the balances stay accurate.

I wish to thank the Executive Director and the staff of the Authority for their support and assistance during my audit.

This report is intended solely for the information and use of the Authority's management, the U.S. Department of HUD, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Jean Sickels". The signature is written in black ink and is positioned above the printed name and title.

Jean Sickels
Certified Public Accountant